



Committee On Finance

Max Baucus, Ranking Member

NEWS RELEASE

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Baucus Questions IRS's Investigation Regarding the NAACP *Senator Sends Letter to IRS Asking More Information on Probe*

(WASHINGTON, D.C.) Today, U.S. Senator Max Baucus, ranking member of the Senate Finance Committee, sent a letter to the Internal Revenue Service (IRS), expressing concern and asking for more information regarding an audit of the National Association for the Advancement of Colored People (NAACP). The IRS is deciding whether to revoke the tax exempt status of the NAACP because of alleged improper political involvement of the organization.

Full text of Baucus' letter to the IRS follows:

October 29, 2004

The Honorable Mark W. Everson
Commissioner
Internal Revenue Service
1111 Constitution Avenue
Washington, DC 20224

Dear Commissioner Everson:

I am writing to express my deep concern with the IRS's audit of the NAACP's tax exempt status as reported in today's *Washington Post*.

During the Nixon administration the IRS engaged in activities intended to intimidate President Nixon's political opponents and Nixon administration dissenters. Specifically, the IRS was used to audit groups and individuals who had been critical of President Nixon. Individuals and organizations that had voiced opposition to President Nixon's policies were placed on an "enemies list," were targeted for audit, and had their personal tax information made public. As a result, many taxpayers lost confidence in the IRS's ability to enforce the law judiciously, and the agency's reputation suffered immensely.

In response, Congress passed tough laws intended to shield American taxpayers from being used as political pawns by the IRS. These measures have been highlighted as some of the

most important post Watergate reforms enacted. Indeed, section 6103 of the tax code is intended to protect taxpayers from specifically the type of abuse that occurred during the Nixon administration.

Given the history of politically motivated audits performed by the IRS, today's *Washington Post* story regarding the IRS's audit of the NAACP concerns me. As the *Washington Post* noted, Julian Bond, the NAACP's Chairman, made statements that "condemned the administration policies of George W. Bush on education, the economy and the war in Iraq." While overt political activity by a 501(c)(3) organization is not permitted, mere criticism of an administration's policies is clearly a proper activity for an organization with 501(c)(3) designation.

With that in mind, I would appreciate if you could answer the following:

- (1) Does the "political activity" limitation imposed on 501(c)(3) organizations now include a prohibition on statements made by a 501(c)(3) organization that are critical of government policies?
- (2) What officials at the IRS signed off on the NAACP audit (please include each level of sign off, the individual, and their title)?
- (3) Did the IRS follow the same steps leading up to the decision to audit the NAACP as they have followed for other audits in the past?
- (4) Did the White House, any political appointees in the federal government, or any member of Congress request that the NAACP be audited?
- (5) Did the IRS receive a referral? If so, from who?
- (6) Is the IRS auditing any organizations that have been critical of Senator Kerry?

The integrity of our tax enforcement system is a critical matter. The American public expects a high degree of non-partisanship and professionalism from the IRS. I would appreciate a prompt response to these questions.

Sincerely,

Max Baucus
Ranking Member

Cc: Chairman Grassley

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